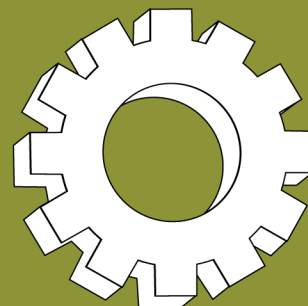
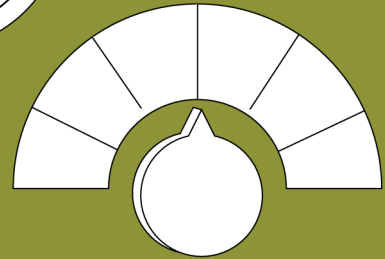


Personal Teller or Video Teller

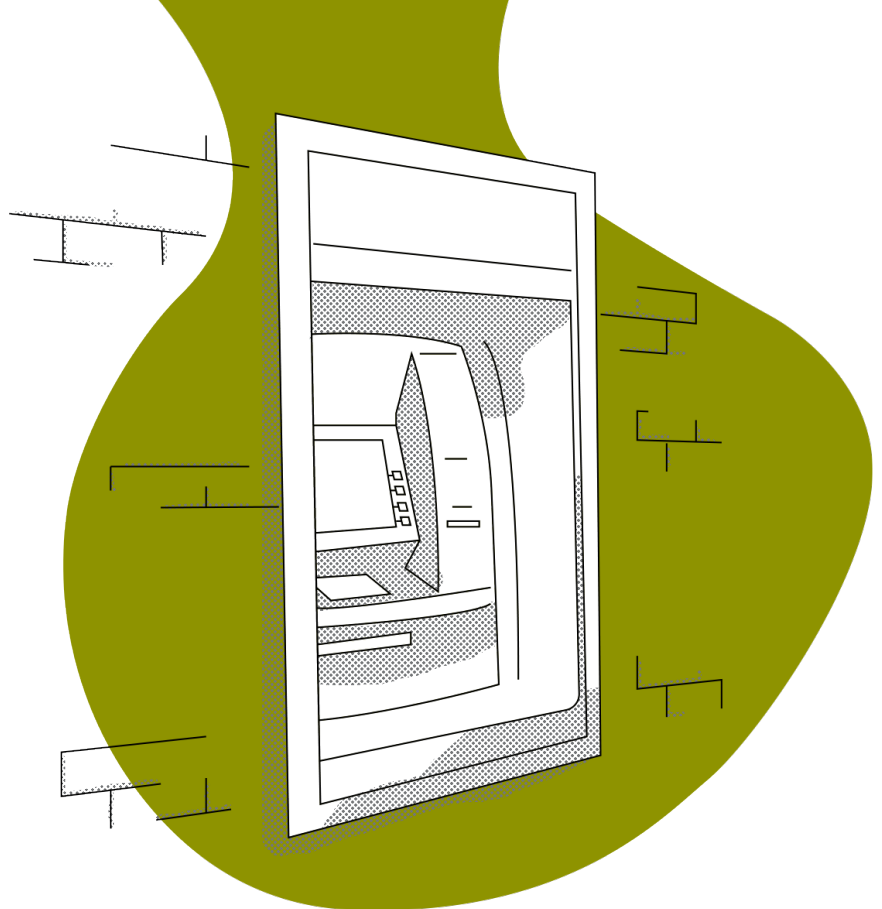
The Cost, Risk, and Strategy
of In-Branch Kiosks



Is it possible that today's modern-day retail banking transformation really began in 1967 with the invention of the automated teller machine (ATM)?

THE ATM

Since the ATM - which ultimately became a ubiquitous cashpoint outside the branch, providing 24/7 access to cash - the wave of digital transformation for branches is upon the retail banking industry and bringing with it the introduction of higher functioning kiosks. These kiosk innovations are designed to optimize technology and teller staffing models inside the branch, as well as, to enhance the client experience.



"The introduction of the ATM marked the dawn of contemporary digital banking ... But the ATM is a complex technology. There was no single eureka moment that marked its arrival."

BERNARDO BATIZ-LAZO, A BRIEF HISTORY OF THE ATM | THE ATLANTIC

As bankers evolve the branch channel within the strategy framework of integrating digital and physical delivery of services, the decision drivers for technology, specifically what's needed to fulfill an individual financial institution's vision and strategy for their branch channel, includes self-service kiosks designed to help the branch shift from a transaction focus to one that offers advisory services and a high touch, modern experience.

The video teller machine (VTM), also called an interactive teller machine (ITM), and the personal teller machine (PTM) are distinct categories of new, higher functioning kiosks that retail bankers currently have available when deciding on the best in-branch self-service technology. Neither the VTM, nor the PTM produced remarkable inventions with kiosk hardware, but both have leveraged software and synthesized other technology innovations to bring forth whole new products better suited to meet the needs of the financial institution's vision for how they will serve their clients *in the branch*, today.

Branch technology decision drivers include considerations for costs and risk assessments that accompany the adoption of new technologies. This white paper serves two purposes:

- Review the distinct attributes of the PTM and the VTM that make them different and uniquely suited to perform teller transactions in different ways, depending on the chosen branch staffing model.
- Provide information about costs, risks, and reported industry trends to help financial institution stakeholders make informed decisions about in-branch self-service technologies.

INTRODUCTION OF THE **VTM** OR **ITM**

In 2013, ATM manufacturers introduced the first video teller machine by making moderate tweaks to current designs of their ATMs to repurpose relevant kiosk technology for use inside the branch.

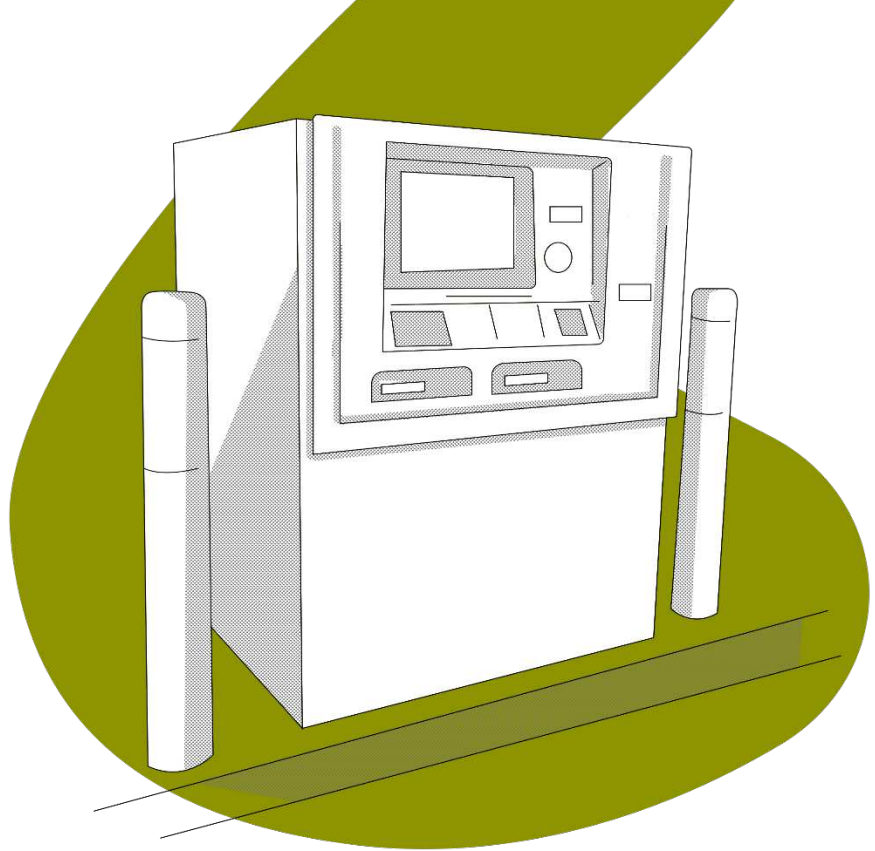
The essential components of the VTM include an ATM base with hardware and software modifications, video capability, additional communication lines to facilitate video, and a remote call center that is staffed to assist their customers or members with transactions via video.

Here are discrete attributes of the VTM that make it different from PTMs:

- The use of video to enable assisted self-service from a remote teller
- A remote call center staffed with employees assisting clients via video
- Integration with ATM rails and associated transaction capabilities and fees

ATM manufacturer Diebold Nixdorf, a first mover with interactive teller machines, shared in an article titled, [What's the Future for Interactive Teller Machines](#), that banks and credit unions have two primary reasons behind their deployments of ITMs. Both are tactical to branch operations:

- Competitive differentiation
- Addressing cost efficiencies



Diebold asserts the key value propositions of ITMs are found in the ability to extend the branch hours through a call center staffed with employees. ITMs have also proven to be a means to speed up transaction time in drive-thru lanes. For some, ITMs, while more expensive than ATMs, can often provide a low-cost expansion into a new market.

"To be clear, ITMs have always been a niche solution, not something that has gone mainstream, because it takes a pretty specific strategy to require an ITM. The reasons they all [Banks and Credit Unions] deploy ITM's ... They often want to get some transactions automated."

DEVONNE WATSON, CHIEF MARKETING OFFICER FOR DIEBOLD NIXDORF

As bankers evolve the branch channel from a transaction focus to one that offers advisory services, video teller machines have their limits. They replace a high-touch person-to-person interaction with remote staff on a video screen.

Because VTMs will not soon follow the path of the ATM, as must-have technology, many financial institutions will analyze return on investment projections to inform their choices.

"Calculating a return on investment is where a lot of folks are struggling," said Kevin Tweddle, head of the Independent Community Bankers of America's innovation and financial technology group. "Yes, you'll save on personnel costs in the long run, but it's a pretty significant up-front investment," he continued.

DEVONNE WATSON, CHIEF MARKETING OFFICER FOR DIEBOLD NIXDORF

Ryan Rackley, a senior director with Cornerstone Advisors, a consulting firm in Scottsdale, Arizona, has estimated that only 5% of all banks have invested in video teller machines.

NEXT EVOLUTION OF KIOSKS FOR IN-BRANCH SELF-SERVICE

PTM

Like the ATM, there was no single eureka moment that ushered in the personal teller machine (PTM). PTMs were first introduced for pilot projects in the early 2000's, with commercial PTMs re-emerging in 2015 as a product category for in-branch self-service kiosks. PTMs seem to be taking a different customer adoption path than either the ATM or the VTM. To understand the forces at play, it will help to define the attributes of the PTM.



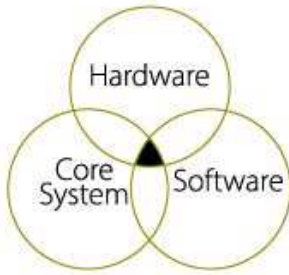
The key attributes of the PTM that make it distinguishable from the ATM and the VTM are:

- The PTM is designed to be core-integrated, meaning that it integrates directly with the financial institution's core system
- The PTM is typically lower in unit costs and lower in sustained operational costs than VTM technology
- The PTM is true self-service, with the ability to shift up to 90% of mundane teller transactions away from tellers, freeing them to focus on higher value services

CORE SYSTEM INTEGRATION

Banking core systems drive the operations and product delivery of financial institutions, so much so, that they have taken on a living presence and often hold utmost relevance to

the financial institution's culture. Because of these deep roots, integration of new technologies with a core system can delight some and have others running for the hills.



Early adopters of PTMs are typically those financial institutions that are investing in modern core system functionality that facilitate a streamlined integration of new technologies through web services and APIs. Integration of PTMs with older, legacy core systems is not impossible, but these integrations take longer, involve more resources, and can cost more as a result. Therefore, working with a solution provider that has a integration path for your core is essential.

SOFTWARE

Kiosk software is like all other user applications – software defines the product, making it the linchpin of product.

Fortunately, with this trend to adopt core-integrated PTMs as a cornerstone of client-centric branch transformation, a plethora of kiosk software providers have innovated new solutions. Today, retail banking stakeholders have an abundance of options that enable them to select the best fit solution relative to the costs, risks, and strategy of their branch vision.

HARDWARE

Software providers seek kiosk hardware partners who have created tools or software development platforms that make the coding to their machines efficient and streamlined for them to accelerate the creation of whole new banking kiosk solutions.

SUMMARY

ATMs ushered in the dawn of retail banking transformation in the 1960s and have inspired the evolution of new financial kiosks that enable banks and credit unions to transform their branches and the ways they deliver service to their clients.

Fifty years later, the ATM was modified to create the VTM. Video teller machines are a niche product category, delivering value for financial institution's when implementations are aligned with strategies that seek differentiation from competitors and deliver operational cost efficiencies. Financial institutions with infrastructure and staffing models that embrace remote call centers for the video teller features of the VTM, help reinforce the use of video teller machines in the branch network.

PTMs, introduced in 2015, exist in the financial institution's greater retail ecosystem, leveraging the power of the core system and the software that defines the solution.

PTMs are for use inside the branch, store, or merchant locations. PTMs are true self-service kiosk solutions designed to handle the majority of teller transactions, without assistance.

PTMs are relatively lower in cost, for purchase and to operate. No ATM rails. No call centers.